Other Regulation

- Testimony filed at the FERC on behalf of wholesale customers in litigation against Maine Public Service's proposed tariff for transmission and ancillary service.

- Preparation of an affidavit, co-authored with Robert J. Reynolds, on the market power issues in an FERC abandonment proceeding in the natural gas pipeline industry.

- Preparation of a report, co-authored with John Woodbury, Frederick Warren-Boulton and Daniel Sherman, for the National Cable Television Association on the effects on consumers of cable deregulation.

- The preparation of testimony to be presented by Mr. Baseman, on behalf of the U.S. Justice Department, in an electric utility monopolization case (U.S. v. Kentucky Utilities).

In addition, Mr. Baseman was substantially involved in the following projects:

Telecommunications and FCC Issues

- Preparation of a report on principles for evaluating "significant economic harm," submitted by INTELSAT to its members in treaty consultation over the entry of the Orion satellite network.

Antitrust

- Preparation and presentation of economic analysis to the Antitrust Division concerning Akzo's acquisition of Filtrol.

- Iron ore damages litigation.

- Preparation and presentation of economic analysis to the FTC concerning General Electric's acquisition of Roper Corporation.

- Preparation and presentation of economic analysis to the FTC concerning Stanadyne's proposed acquisition of United Technologies Diesel Systems Division.

- Preparation and presentation of economic analysis to the Antitrust Division concerning General Electric's acquisition of Thomson - CGR's medical imaging business.

- Antitrust assessments of possible mergers or joint ventures in several industries, including the HVAC, elevator, and jet engine industries.

Other Regulation

- Preparation of expert testimony submitted to FERC by an ICF colleague on the effect of Northeast Utilities' acquisition of Public Service of New Hampshire.

Publications

"Exclusionary Behavior in the Market for Operating System Software: the Case of Microsoft," in *Opening Networks to Competition: the Regulation and Pricing of Access*, David Gabel and David Weiman, eds.; Kluwer Press, 1996 (forthcoming), with Frederick R. Warren-Boulton and Glenn Woroch.

"Microsoft Plays Hardball: Use of Exclusionary Pricing and Technical Incompatibility to Maintain Monopoly Power in Markets for Operating Software," co-authored with Frederick R. Warren-Boulton and Glenn A. Woroch, Antitrust Bulletin, Summer 1995.

The Economics of Intellectual Property Protection for Software: The Proper Role for Copyright," co-authored with Frederick R. Warren-Boulton and Glenn A. Woroch, Standard View, June 1995.

"Copyright Protection of Software Can Make Economic Sense," co-authored with Frederick R. Warren-Boulton and Glenn A. Woroch, The Computer Lawyer, February 1995.

"The Detroit Newspaper Joint Operating Agreement," in Kwoka and White, eds., *The Antitrust Revolution*, Harper Collins (1993).

"Sustainability and the Entry Process," *American Economic Review* (May 1981) pp. 272-277.

"Open Entry and Cross-Subsidization in Regulated Markets," in Gary Fromm, ed., *Economics of Public Regulation*, National Bureau of Economic Research and M.I.T. Press, Cambridge, Massachusetts, 1981.

Other Papers

"Depreciation Policy in the Telecommunications Industry: Implications for Cost Recovery by the Local Exchange Carriers", co-authored with Harold Van Gieson, December 1995.

"Microsoft Plays Hardball: Use of Exclusionary Pricing and Technical Incompatibility to Maintain Monopoly Power in Markets for Operating Software," co-authored with Frederick R. Warren-Boulton and Glenn A. Woroch, presented at Columbia University Institute for Tele-Information on Sustaining Competition in Network Industries through Regulating and Pricing Areas, November 1993.

"The Economics of Intellectual Property Protection for Software: The Proper Role for Copyright," co-authored with Frederick R. Warren-Boulton and Glenn A. Woroch, presented at American Committee for Interoperable Systems, June 1994.

"The Effect of Deregulation on Cable Subscribers," co-authored with John Woodbury, Oct. 1990, presented at American Enterprise Institute conference, Policy Approaches to Deregulation of Network Industries.

"The Economics of Bell Operating Company Diversification in the Post-Divesture Telecommunications Industry," co-authored with Stephen Silberman, with the assistance of Roger Noll, ICF, Inc., September 1986.

"A Framework for Economic Analysis of Electronic Media Concentration Issues," co-authored with Bruce Owen, Economists, Inc., December 1982.

Other Professional Experience

Journal referee: *International Economic Review*, *Journal of Industrial Economics*, and *International Journal of Industrial Organization*.

Trial Testimony

Testified on market definition and competitive effects of joint ownership of two competing daily newspapers in U.S. vs. Nat, L.C. and D. R. Partners, (May 1995).

Testified on market power, market definition and vertical restraint issues in Tarrant v. Trane (November 1993).

Expert witness for the Antitrust Division on the Detroit Newspaper Joint Operating Agreement (August 1987). Testified that the Detroit *Free Press* was not a failing newspaper when it agreed to joint operations.

Deposition Testimony

- U.S. vs Nat, L.C. and D. R. Partners, (April 1995).
- PMBR v. Harcourt Brace Jovanovich, et.al (February 1994).
- Deposed in Detroit JOA proceeding (July 1987).
- Deposed by the FTC concerning Henkel's acquisition of Parker Chemical (January 1986).
- U.S. v. Kentucky Utilities, (July 1985).

Expert Affidavits

- PMBR v. Harcourt Brace Jovanovich, et al. (February 1994).
- AD/SAT v. McClatchy Newspapers (July 1995).

Expert Statements Submitted to Regulatory Agencies

- "The Economics of Bidding for Scarce Resources: The Lessons of Monopoly Preemption as Applied to FCC Auctions of LMDS Licenses", August 1996, submitted on behalf of WebCel in FCC Docket No. 96-98.

- "Depreciation and Capital Recovery Issues, A Response to Professor Hausman", co-authored with Frederick Warren-Boulton and Susan Woodward, July 1996, submitted on behalf of MCI in FCC Docket No. 96-98.

- Testimony in FERC Docket ER95-836-000 on behalf of wholesale customers, who were objecting to certain aspects of Maine Public Service's transmission and ancillary service tariff (August 1995).

- A comment on the relationship between advertising and sales, January 1995, submitted on behalf of MCI in FCC Docket No. 92-77, concerning proposals for implementing billed party preference in the selection of long distance carriers.

- Affidavit, co-authored with Robert J. Reynolds, concerning an FERC abandonment proceeding, October 1991, submitted on behalf of Sun Refining and Marketing Company in FERC Docket No. CP91-2819-000.

- Affidavit concerning Expanded Interconnection with Local Telephone Company Facilities, September 1991, submitted on behalf of MCI in Federal Communications Commission Docket No. CC 91-41, ENF-87-14.

- "The Economic Effects of Cable Deregulation," co-authored with John Woodbury, Frederick Warren-Boulton and Daniel Sherman, May 1990, submitted on behalf of the National Cable Television Association in Federal Communications Commission MM Docket No. 90-4.

- "The Economics of Local Telephone Company Integration into the Retailing of Video Programming," December 1988, submitted on behalf of the National Cable Television Association in the Federal Communications Commission Docket No. CC 87-266.

- "The Choice of Productivity Offsets for Rate Cap Regulation," July 1988, submitted on behalf of MCI in Federal Communications Commission Docket No. CC 87-313.

- "An Analysis of the Utility of Price Cap Regulation as Applied to the Local Exchange Carriers," co-authored with Stephen Silberman, December 1987, submitted on behalf of MCI in Federal Communications Commission Docket No. CC 87-313.

- "The Economics of Line of Business Restrictions and Structural Separations," co-authored with Stephen Silberman, January 1986, submitted on behalf of MCI in Federal Communications Commission Docket No. CC 85-229.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Application of BellSouth Corporation,	)	CC Docket No. 97-231
BellSouth Telecommunications, Inc.	)	
and BellSouth Long Distance, Inc.	)	
for Provision of In-Region, InterLATA	)	
Services in Louisiana	)	

Exhibit H:
Declaration of Don Wood
on Behalf of MCI Telecommunications Corporation

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Application by BellSouth Corporation,	)	
BellSouth Telecommunications, Inc.	)	CC Docket No. _____
and BellSouth Long Distance, Inc.,	)	
for Provision of In-region, InterLATA	)	
Services in Louisiana	)	

DECLARATION OF DON J. WOOD
On Behalf of MCI Telecommunications Corporation

I, Don J. Wood, being first duly sworn upon oath do hereby depose and state as follows:

Qualifications

1. My name is Don J. Wood. I am a principal in the firm Wood and Wood which provides consulting services to the ratepayers and regulators of telecommunications companies.

2. I received a BBA in Finance with distinction from Emory University and an MBA with concentrations in Finance and Microeconomics from the College of William and Mary. My telecommunications experience includes employment at both a Regional Bell Operating Company ("RBOC") and an Interexchange Carrier ("IXC").

3. Previously, I was employed in the local exchange industry by BellSouth Services, Inc. in its Pricing and Economics, Service Cost Division. My responsibilities included performing cost

analyses of new and existing services, preparing documentation for filings with state regulatory commissions and the Federal Communications Commission ("FCC"), developing methodology and computer models for use by other analysts, and performing special assembly cost studies.

4. After I left that position, I was employed in the interexchange industry by MCI Telecommunications Corporation ("MCI"), as Manager of Regulatory Analysis for the Southern Division. In this capacity I was responsible for the development and implementation of regulatory policy for operations in the southern U.S. I then served as a Manager in the Economic Analysis and Regulatory Affairs Organization, where I participated in the development of regulatory policy for national issues.

5. While employed in the BellSouth Service Cost organization, I had the opportunity to work with a number of cost models and to analyze and review the manner in which these models were used in the cost development process. Since that time, I have reviewed incremental cost studies performed by each of the seven RBOCs and a number of Tier 1 Local Exchange Companies ("LECs"), including BellSouth. My review has included an evaluation of the methodologies, computer models and spreadsheets, and inputs/assumptions used. I have also been asked by regulators to develop detailed rules to be used by the LECs when performing Total Service Long Run Incremental Cost ("TSLRIC") studies.

6. I have testified on telecommunications issues before the regulatory commissions of twenty-three states, the District of Columbia and state courts, and I have presented comments to the FCC.

Purpose of Declaration

7. The purpose of my declaration is to demonstrate that many of the BellSouth methodologies and assumptions relied on by the Louisiana Public Service Commission ("LPSC") in adopting permanent rates in Docket Nos. U-22022 and U-22093 were not forward-looking or cost-based and, as a result, generated prices that are systematically *higher* than properly calculated TELRIC costs.

8. My declaration will further demonstrate that as a result of the LPSC's reliance on many of BellSouth's flawed cost studies and assumptions, the permanent rates adopted by the LPSC are not just and reasonable as required under the Telecommunications Act of 1996 ("the Act") and place fledgling and potential competitors for local telephone subscribers in Louisiana at a significant disadvantage. Moreover, the inflated prices adopted by the LPSC exploit and secure BellSouth's bottleneck monopoly in Louisiana by severely impeding the development of effective competition in the market for local telephone service.

Summary of Findings

9. The LPSC adopted the rates proposed by its staff consultant as permanent prices for interconnection and unbundled network elements in Louisiana. In determining rates, the staff consultant relied on the BellSouth cost studies and many of the assumptions contained in those studies. She did so despite not being able, because of time constraints, to evaluate many significant assumptions underlying BellSouth's cost studies and not reviewing MCI/AT&T's collocation model. Moreover, she erroneously concluded that, in light of the Eighth Circuit's decision in Iowa Utilities Bd., she could not rely on the MCI/AT&T cost models with their assumption of a forward-looking loop technology, but rather had to rely on the BellSouth models with their assumption of a historic technology.

10. The permanent rates adopted by the LPSC are not geographically deaveraged, but are based on statewide averages. As a result, the rates are not cost-based and significantly overstate the costs of interconnection and unbundled elements in Louisiana.

11. The recurring and non-recurring rates adopted by the LPSC are based on fundamentally flawed BellSouth cost models which assume an outdated and inefficient network design. BellSouth's cost models are based on a network design using 1970s "Universal" digital loop carrier ("UDLC") technology despite the fact that less costly and more efficient "Integrated" digital loop carrier ("IDLC") technology is currently available. As a result, the rates adopted by the LPSC and the service quality provided by the proposed unbundled network elements reflect the network inefficiencies of UDLC technology. As such, the rates adopted by the LPSC are not based on forward-looking costs, and barriers to the development of local competition have been created.

12. The recurring and non-recurring rates adopted by the LPSC for interim number portability charge new entrants the entire cost of number portability, in contravention of section 251(e)(2) of the Act.

13. The LPSC has determined that BellSouth need not make contract service arrangements entered into after January 28, 1997 available as resale services and thus need not apply the wholesale discount to contract service arrangements. This is wholly inconsistent with section 251(c)(4)(A) of the Act, the FCC's interpretation of section 251(c)(4)(A) and the Eighth Circuit's interpretation of the Act.

14. The rates adopted by the LPSC for physical collocation do not establish the total charge that will be incurred by competitive LECs ("CLECs") for physical collocation. A potentially significant charge, the space preparation fee, remains unknown and may be imposed at the discretion and control

of BellSouth on an individual case basis ("ICB"). Further, the rates that the LPSC has adopted for physical collocation include historical costs and are not based on a forward-looking central office design. As such, they are overstated and not cost-based.

15. In addition to leaving this significant physical collocation rate unknown, the LPSC has also not set rates for a GR-303 Integrated Port and Digital Cross Connect Capability, which are critical components of IDLC technology and therefore important to CLECs' local entry strategies. Moreover, the LPSC has not adopted rates for BellSouth's threatened "glue" charges for "recombining" network elements, which is particularly problematic in light of the fact that these charges should be $0.00 and BellSouth will be able to set them however high it chooses, thereby creating a significant barrier to local competition.

16. The LPSC set a monthly recurring charge of $8.28 for all vertical features, despite the fact that vertical features are a function of the switch and have no separate cost.

The LPSC's Permanent Rates are Based on BellSouth's Non-TELRIC Assumptions

17. The LPSC, in its order of October 24, 1997, rejected the Final Recommendation of the Administrative Law Judge ("ALJ"), dated October 17, 1997, and adopted the rates presented by staff consultant, Kimberly N. Dismukes, as "permanent, cost-based rates." See LPSC Order No. U-22022/22093-A (Consolidated) (decided at the October 22, 1997 Open Session) ("10/24/97 Open Session Order"), at 4-5 (BST App. C-3, Tab 285).

18. Ms. Dismukes was only given one week by the LPSC to review all the relevant information and to recommend rates. She did not undertake a cost study of the local telephone network and also did not carefully review all the cost studies submitted by the parties. Ms. Dismukes

also did not have an opportunity, because of time constraints, to review the briefs filed by the parties to the cost proceeding.

19. Instead, because of the severe time constraints imposed upon her and because of her conclusion that, in light of the Eighth Circuit's decision in Iowa Utilities Bd., she could not rely on the MCI/AT&T cost models with their assumption of forward-looking IDLC technology,[1] Ms. Dismukes relied on the BellSouth cost studies and their assumption of historic UDLC technology to determine her proposed rates. Testimony of Kimberly H. Dismukes on behalf of the LPSC, Docket No. U-22022 (Sept. 22, 1997) ("Dismukes Testimony"), at 57-58 (BST App. C-3, Tab 273).

20. While Ms. Dismukes changed a number of BellSouth assumptions in an attempt to make them consistent with TELRIC methodology, she acknowledged in her testimony that she was unable to evaluate many significant BellSouth assumptions underlying, among other areas, non-recurring costs, vertical features and OSS, due to time constraints. Hearing Transcript, LPSC Docket No. U-22022 ("Hearing Transcript"), at 2925, 3109-20 (BST App. C-3, Tabs 265-273). Finally, she admitted that she did not have time to even consider MCI/AT&T's physical collocation cost model. Id. at 3119.

21. Thus, Ms. Dismukes, in recommending many key rates, testified that she relied on BellSouth's assumptions and used BellSouth's "numbers" as defaults in her calculation of

---

[1]As discussed more fully below, Ms. Dismukes' conclusion that she could not use MCI/AT&T's cost models because of their assumption of IDLC technology is erroneous for two reasons. First, despite BellSouth's assertion to the contrary, IDLC loops can be unbundled and MCI and BellSouth engineers are currently exploring options to do so. Second, the Eighth Circuit did not hold that historic technology rather than currently available forward-looking technology can be assumed for purposes of pricing. The FCC's determination that section 252(d) requires prices to be forward-looking requires that the most advance technology available be used.

interconnection and unbundled elements. Transcript of the October 22, 1997 Open Session of the LPSC ("10/22/97 Open Session Transcript"), at 87 (BST App. D, Tab 2).

22. The ALJ disagreed with many of Ms. Dismukes' recommendations and reached a number of conclusions based on her review of the cost studies submitted and the testimony of 34 witnesses during eight days of hearings. For example, the ALJ, noting that Ms. Dismukes did not take a position with regard to geographic deaveraging, found that geographic deaveraging is necessary for the determination of accurate costs (ALJ Final Recommendation, Docket No. U-22022 (October 17, 1997) ("ALJ Final Recommendation"), at 25-26 (BST App. C-3, Tab 284)). The ALJ also noted that Ms. Dismukes did not review the MCI/AT&T collocation model due to time constraints and found that the MCI/AT&T collocation model best reflects TELRIC costs (ALJ Final Recommendation at 54-55). The ALJ rejected Ms. Dismukes' adjustments to shared and common costs because of lack of evidence (ALJ Final Recommendation at 43). The ALJ declined to establish a permanent rate for vertical features and directed further proceedings be undertaken (ALJ Final Recommendation at 52). Lastly, the ALJ directed BellSouth to conduct a current depreciation study which complies with TELRIC principles. (ALJ Final Recommendation at 39).

23. Nevertheless, the LPSC wholly rejected the ALJ's recommendations and, in the interest of setting permanent rates immediately to allow BellSouth to proceed with its section 271 application, adopted the rates proposed by Ms. Dismukes as "permanent cost-based rates". 10/22/97 Open Session Order at 4-5.[2]

---

[2]As stated by the LPSC commissioner who moved to reject the ALJ's report and adopt Ms. Dismukes' rates, "I want to close this docket and [sic] so Bell can proceed to the FCC." 10/22/97 Open Session Transcript at 92.

Geographic Deaveraging

24. The permanent rates adopted by the LPSC are not geographically deaveraged, but are based on a single rate calculated according to BellSouth's statewide average methodology.

25. As a result of not being geographically deaveraged, the rates adopted by the LPSC are not cost-based and significantly overstate the costs of interconnection and unbundled network elements in Louisiana.

26. For example, in the most densely populated areas of Louisiana, the statewide averaged monthly rate for a loop adopted by the LPSC is $19.35. By comparison, the Hatfield model's geographically deaveraged monthly rate for the most densely populated zone is $10.12.[3]

The Permanent Rates Adopted by the LPSC are Based on Technology that is Not Forward-Looking

27. The permanent rates adopted by the LPSC are not forward-looking because they are based on BellSouth's cost models which assume, for purposes of costing loops, historic "Universal" digital loop carrier ("UDLC") technology rather than forward-looking "Integrated" digital loop carrier ("IDLC") technology. Hearing Transcript at 2396-97.

---

[3]The Hatfield model costs interconnection and unbundled elements according to specific study areas and uses the geographic and demographic data associated with the area being studied. The study area is subdivided into discrete geographic units called Census Block Groups (CBGs) (comprising an area of 400 to 600 households) that are small enough to captures changes in cost. By contrast, in determining statewide average rates for loops in Louisiana, BellSouth extracted a sample from its CRIS database of 200 residential loops and 200 business loops, out of the approximately 2.1 million loops in Louisiana. In total, therefore, BellSouth purports to have studied only .02 percent of the loops within the state, leaving 2,195,858 loops in the state unstudied. Moreover, BellSouth's sampling process assumed that loops are designed in isolation and ignores the location and relevant characteristics of an area to be served. The LPSC's loop rates are based on this BellSouth methodology.

28. The UDLC configuration became available in the 1970s and preceded the digital switch. It is a digital alternative to using copper cables in the feeder portion of the local loop. The network design for UDLC in the local loop typically involves the following: (1) a digital loop carrier ("DLC") remote terminal which is installed outdoors in a housing, generally a cabinet;[4] (2) a transmission facility using fiber optics cable connecting the DLC remote to the switching center; and (3) a copper cable distribution network which connects the customer to the DLC remote. Direct Testimony of Ernest M. Carter on behalf of AT&T and MCI, LPSC Docket No. U-22022/22093 (August 25, 1997) ("Carter Testimony") at 6 (BST App. C-3, Tab 271).[5]

29. UDLC was designed to be deployed in an environment in which the majority of the local switches were analog. In order to interface with the switch on an analog basis, the digital signal from a remote DLC is converted from a digital to an analog signal by Central Office Terminal ("COT") equipment located in the incumbent LEC's central office. The individual voice grade analog circuits are then wired and terminated on the Main Distribution Frame ("MDF") just like analog circuits for a copper feeder cable and can interface with the analog switch. Id. at 8.

---

[4]Where the customer location is a large high rise building and the service requirements are substantial, the DLC remote is typically located indoors on the customer premises.

[5]Basically, a UDLC system functions as follows. A familiar telephone set creates an analog wave representation of the human voice which travels as an electric signal on the copper wires that connect the telephone set to a "channel unit" in the DLC remote. The channel unit converts this analog signal to a digital signal through a process called pulse code modulation (PCM). That digital signal is then "multiplexed" or combined into a 24 channel frame called a DS1 signal (and sometimes multiplexed again onto a higher speed digital transmission facility) and transmitted over DS1 facilities. Once the digital signal arrives where the called party's telephone is connected, the reverse procedure occurs -- the signal is "de-multiplexed" and then converted back from digital to analog and the conversation is reassembled. UDLC systems have two distinct advantages over copper cables: (1) they are cheaper than copper cables beyond a certain length; and (2) the transmission requirements of digital services, such as ISDN, can only be met by DLC for long loops. Id. at 6-7.

30. With the introduction of digital switches, it became redundant to convert the digital signal to analog at the central office. Thus, IDLC was introduced, which allows the DLC to interface with the switch by means of digital signals. The IDLC configuration provided for a much more efficient network architecture than UDLC and improved transmission quality. The new generation of IDLC systems are designed to employ a generic digital interface with central offices that is called GR-303. Id. at 8, 10.

31. IDLC has significant advantages over UDLC. First, local loops provisioned using an IDLC configuration are less costly than UDLC provisioned loops because they do not require use of a COT, an analog interface unit in the switch, an MDF, central office floor space, electrical power or cable racks, cabling and wiring. Second, an IDLC configuration eliminates the costs of manually running cross connections to the MDF every time a customer changes provider. Rather, service provisioning (connects, disconnects and changes to service) can be made remotely on an electronic basis. Finally, having a digital loop without intermediate conversions from a digital to an analog signal provides customers the efficient and quality transmission required for on-line services such as Internet access and future digital services. Id. at 8-9.

32. BellSouth recognizes that IDLC is current, forward-looking technology and, in fact, admitted before the LPSC that it will be deploying IDLC in Louisiana for its own customers and for resale, if it hasn't already done so. Hearing Transcript at 565-66.

33. Yet for purposes of setting rates to be charged to its competitors, BellSouth based its cost studies on the UDLC technology, which is significantly more expensive. BellSouth explained this choice on the ground that, in light of the Eighth Circuit's decision that new entrants are not permitted to purchase pre-existing combinations of the incumbent LEC's network, it can only unbundle

loops that include an analog conversion as provided by UDLC and cannot unbundle loops that are integrated on a digital basis with the switch. Carter Testimony at 13.

34. But this explanation in unsupportable. First, BellSouth's position that it cannot unbundle loops that are integrated on a digital basis with the switch is not accurate. It is technically feasible to unbundle loops that are integrated with the switch on a digital basis through an IDLC configuration. In fact, MCI and BellSouth engineers are currently exploring how to implement this.

35. Second, the Eighth Circuit in Iowa Utilities Bd. did not purport to determine the appropriate technology for basing prices for unbundled elements and interconnection. The FCC determination that section 252(d) requires prices to be forward-looking requires that prices be based on the most advanced technology available.

36. As a result of relying on technology that is not forward-looking and other unreasonable assumptions, the LPSC's charges for its services do not reflect BellSouth's actual cost of performing those services in a forward-looking environment. For example, for installation of a two wire analog voice grade loop, the LPSC adopted a non-recurring charge of $42.71, while MCI/AT&T, based on their non-recurring cost study which assumes IDLC technology, proposes a charge of $1.91 for customer migration (i.e. an existing incumbent LEC customer moves to a CLEC) or $1.71 for installation (i.e. the establishment of any new (or additional) service for a CLEC customer).

Number Portability

37. The LPSC adopted permanent recurring and non-recurring rates for two types of interim number portability mechanisms: Remote Call Forwarding ("RCF") and Direct Inward Dialing ("DID").

38. For both interim mechanisms, the rates adopted by the LPSC charge new entrants the entire cost of number portability. This approach is inconsistent with section 251(e)(2) of the Act, which requires that number portability cost recovery mechanisms be borne by all telecommunications carriers on a competitively neutral basis, and with the FCC's interpretation of that section. See 47 C.F.R. § 52.29.[6]

Resale of Contract Service Arrangements

39. The LPSC determined that BellSouth may refuse to make contract service arrangements entered into after January 28, 1997 available as resale services at its wholesale discount.

40. This is wholly inconsistent with section 251(c)(4)(A) of the Act, which imposes on incumbent LECs an express duty "to offer for resale at wholesale rates any telecommunications service that [it] provides at resale." In addition, by refusing to make contract service arrangements available at wholesale rates, BellSouth violates section 251(c)(4)(B), which imposes on incumbent LECs an obligation "not to impose unreasonable or discriminatory conditions or limitations on resale of such telecommunication service."

41. The FCC has previously rejected BellSouth's plea for a rule prohibiting resale of contract service arrangements. See First Report and Order, Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98, FCC 96-325 (rel. August 8, 1996) ("Local Competition Order"), at ¶ 948.

---

[6]Similarly, the LPSC also adopted a non-recurring charge of $9.16 per OSS electronic order, which allows incumbent LECs to recover their incremental investment cost of putting interconnect systems in place for new entrants. This charge is not cost-based and represents an additional unnecessary barrier to the development of local competition. In a forward-looking cost model, the costs of OSS equipment should be capitalized and recovered along with other joint and common costs through recurring rates.

42. The Eighth Circuit agreed with the FCC's understanding of section 251(c)(4)(B) when it expressly rejected the incumbent LECs' objections to the FCC's determination that discounted and promotional offerings are "telecommunication service[s]" that are subject to the resale requirement of section 251(c)(4)(B), and upheld the FCC's power to issue regulations regarding the resale of telecommunications services. See Iowa Utilities Board v. FCC, 120 F.3d 753, 819 (8th Cir. 1997).

Physical Collocation

43. BellSouth and MCI/AT&T presented two highly different physical collocation models before the LPSC. But despite Ms. Dismukes' admission that she did not have time to look at the MCI/AT&T model and the ALJ's determination that the MCI/AT&T model best reflects TELRIC costs, the LPSC adopted the recommended rates based on Ms. Dismukes' physical collocation figures, which were derived from BellSouth's model. Hearing Transcript at 3119; ALJ Final Recommendation at 55.

44. Because the LPSC relied on BellSouth's model and its flawed assumptions, the physical collocation rates adopted by the LPSC are not cost-based or forward-looking. The LPSC's adoption of a space preparation fee on an "ICB" or individual case basis is particularly egregious. The space preparation fee is a fee assessed against collocators before any construction has begun on the collocation space and can include expenses of the incumbent LEC such as demolition, moving equipment and staff, asbestos removal, compliance with the Americans with Disabilities Act (ADA) and the Occupational Safety and Health Act (OSHA), and any other expense unilaterally deemed necessary by the incumbent LEC to make the space it has chosen for collocation ready for occupancy.

45. The amount and nature of the space preparation fee is thus left completely to the

discretion of the incumbent LEC and can effectively be used by the incumbent LEC to impede local competition.

46. As illustrated by BellSouth's "responses" to MCI applications for collocation space, attached as Exhibit A to this Declaration, BellSouth estimates for space preparation fees (with engineer charges for cabling to the Point of Termination ("POT") many times added later) are both extremely high and widely varied. Five of the higher estimates quoted thus far are: $80,800, $89,000, $108,175, $125,100 and $148,100 and. Further, as noted, BellSouth has not restricted itself to stay within even those estimates.

47. Other physical collocation rates adopted by the LPSC are also not efficient or forward-looking. For example, the collocation construction rates are based on BellSouth's proposal to use metal stud and drywall for collocation space construction and a rigid polyethylene security screen applied between the top of the drywall and the ceiling deck. The drywall will be wet sanded and painted. Flush hollow core steel doors complete with welded hollow metal door frames will be installed. Further, the use of drywall requires further unnecessary processes, such as additional lighting and air-conditioning equipment, joint compounding, wet sanding and painting, which will result in additional work force hours and longer preparation time. BellSouth also insists on installing a dust protection partition to protect telephone equipment during drywall construction.

48. None of this is necessary and represents a veiled attempt to erect additional and unnecessary barriers to the development of local competition. Collocation does not require condominium construction. A safe and secure collocation space can be constructed far less expensively and far more quickly by constructing a metal cage, as proposed by MCI and AT&T.

49. The LPSC's adoption of a recurring monthly rate of $136.63 for the first 100 square feet of space construction and a recurring monthly rate of $15.85 per each additional 50 square feet of space construction is disproportionately high for the first 100 square feet of construction. This will effectively erect an unnecessary barrier to entry for small CLECs, who will normally only require 100 square feet of collocation space.

The LPSC has also Failed to Set Other Significant Rates

50. In addition to leaving a significant physical collocation rate unknown, the LPSC has also not set rates for the GR-303 Integrated Port and Digital Cross Connect Capability, which are critical components of the IDLC configuration.

51. Each of these rates is very important to CLECs' local entry strategies and CLECs are necessarily reluctant to commit resources to enter the local market on a large scale with these rates uncertain.

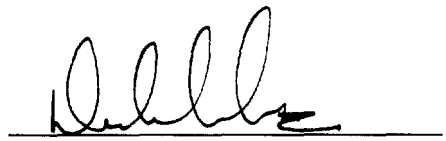
52. Further, the LPSC has not adopted rates for "glue" charges -- BellSouth's threatened charges for "recombining" unbundled network elements. This is particularly problematic since no work or time is involved in recombining unbundled elements and these charges should be $0.00. With the LPSC not addressing this issue, BellSouth is at liberty to set these "glue" charges at whatever rates it determines and thereby impose a significant barrier to local entry.

Vertical Features

53. The LPSC adopted a monthly recurring charge of $8.28 for all vertical features. The LPSC adopted this rate based on Ms. Dismukes' recommendation, despite her admission that she did a limited review of this issue because of time constraints and that this figure would change if she was provided more time. 10/22/97 Open Session Transcript at 93.

54. However, vertical features do not have a cost that can be separated from the total cost of the switch. All of the functions and features of a switch are performed through the computer software programmed into the switch. Therefore, there are no costs specifically identifiable to the vertical features or other functions of the switch, but rather a total cost for installing and using that software. The additional $8.28 is nothing more than a windfall for BellSouth.

I declare, under penalty of perjury, that the foregoing is true and correct. Executed on November 17, 1997.



Don J. Wood

Exhibit A

of

Don J. Wood Declaration

Special Comments
for
Nora Williams with MCImetro - WUA

TYPE of Application - New Physical Collocation Installation
Dunwoody (DNWDGAMA)
5375 Chamblee Dunwoody Rd
Dunwoody, GA 30338

1. A four hundred (400) square foot enclosed space is available for a Physical Collocation arrangement installation at Dunwoody (DNWDGAMA). Please plan to post an emergency contact name and telephone number to the exterior of a physical space enclosure or attach directly to the racking of a non-enclosed physical arrangement.

2. The Space Preparation estimated cost is $ 80,800. The finalized actual costs may be different from the estimated costs provided, dependent on actual work performed. The actual costs will be provided following the project work completion. The cost for Space Enclosure per the Interconnection Agreement is $18,000. Prepay the enclosure construction cost ($18,000) and fifty percent (50%) of the estimated cost for Space Preparation ($ 40,400) with the submission of a Bona Fide Firm Order. Information in this response are cost estimates based on the application information. The finalized actual costs may differ from the estimated costs provided, dependent on actual work performed.

3. Should you decide to move forward with placing a Bona Fide Firm Order an Interdepartmental Coordination Meeting will be held to establish critical dates.

4. BellSouth provides the appropriate quantity of Point Of Termination (POT) Bays based on the requirements in Item 13 of the BSTEI-1-P form. Engineering costs for cabling to the POT Bay will be added to the space preparation charge upon receipt of the forecast..